

Approved as Submitted: February 19, 2003

**CITY OF MORGAN HILL  
JOINT SPECIAL AND REGULAR CITY COUNCIL  
AND SPECIAL REDEVELOPMENT AGENCY MEETING  
MINUTES – FEBRUARY 5, 2003**

**CALL TO ORDER**

Mayor Pro Tempore/Vice-chair Chang called the special meeting to order at 5:10 p.m.

**ROLL CALL ATTENDANCE**

Present: Council/Agency Members Carr, Chang, Sellers, and Tate.  
Late: Mayor/Chairman Kennedy (arrived at 5:15 p.m.)

**DECLARATION OF POSTING OF AGENDA**

The meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

**WORKSHOP ON CITY BUDGET**

**1. WORKSHOP: BRIEFING AND DIRECTION ON THE CITY'S BUDGET**

City Manager Tewes led the City Council budget workshop, presenting a power point presentation relating to the budget. He said that the City of Morgan Hill is a low frills city as this is a low tax paying community. Morgan Hill is a below per capita spending on city services compared to other cities. He addressed sales tax per capita as compared to the County. The County, on average, has done better than Morgan Hill. Had the City achieved the county average, the City could have achieved \$10.8 more in sales tax growth. He said that it is anticipated that the sales tax will increase 3% based on the current model with a 5% increase in property taxes. He addressed the impact of the vehicle license fee (VLF) take away on the general fund revenues. He addressed the history of annual general fund revenues (increases/decreases). He said that the forecast is conservative versus the past 10-year trend. He informed the Council that there are certain costs that the City incurs that cannot be avoided such as the retirement benefit levels to be made available to employees. He said that in past years, PERS did not charge cities for their actuaries and that starting next year PERS costs need to be added to the budget. He said that the City needs an additional \$338,000 next year to cover PERS costs and another \$165,000 to fulfill employee step increases. He indicated that other cost impacts are discretionary (e.g. salaries and medical costs). Other costs include gasoline and utilities that will increase next year. He said that the City has taken steps to address the problem. A hiring freeze has been implemented, resulting in cost savings and creates room to analyze how the City can continue to provide services at a reduced staffing level. He identified the following options as part of a budget strategy: 1) reduce costs for nonessential expenses; 2) control future cost increases; 3) eliminate or reduce programs or services; 4) defer programs or projects; 5) reorganize city functions; 6) increase taxes or fees; 7) expand tax base; 8) draw down general fund reserves; and/or 9) draw down from other fund reserves. He distributed the budget options for Council consideration. He said that staff would find it helpful if the Council would give some sense of direction to staff in order to prepare for next fiscal year's budget.

Mayor Kennedy inquired about the projections that showed the sales tax going up by 3%. He stated that he just returned from a VTA financial budget crises meeting, indicating that the sales taxes are dropping.

City Manager Tewes shared that the County is projecting a 1.2% drop in sales tax. He felt that the County is much more volatile where the City is a little more stable. He said that staff could provide judgment as to whether it believes the City's sales tax has bottomed out.

Director of Finance Dilles felt that the City's current sales tax is stable. He indicated that sales tax has dropped approximately 10% from last year.

Mayor Kennedy said that VTA attributed the impact on the economy to the drop in dot com businesses and that they are not seeing a change in recovery. He anticipates another slight drop in sales tax dollars.

Council Member Sellers agreed that the City would be flat in sales tax but that it was his belief that you cannot find a prolonged flattened or reduced period that goes beyond three years in past history. He agreed that the City is looking at another flat year. He noted that although revenues exceeded expenditures, the City was able to maintain a healthy reserve.

Mayor Pro Tempore Chang said that based on all the work that needs to be completed in the future, the Council needs to be careful with its budget and its reserves.

Mayor Kennedy noted that Director of Finance Dilles has projected a 3% sales tax forecast.

City Manager Tewes said that when it comes to preparing a budget, staff does not prepare a general fund projection but reviews line by budget line items.

Director of Finance Dilles said that there was a 3% increase in sales tax across the board with the exception of the Vehicle License Fee (VLF). It is being projected that the VLF revenue would be flat.

Council Member Sellers indicated that the State has not stated that they have an obligation to backfill VLF and will not do so for 2-3 years.

Mayor Kennedy recommended that the Council start with the assumptions it wants to make. He said that Milpitas is taking a worse case scenario. He said that he and the City Manager discussed the City's options. He recommends that the City proceed with a base budget that does not include VLF, and one that includes scenarios (e.g., a scenario with the Governor's VLF proposal and a scenario some place in between).

Mayor Pro Tempore Chang recommended that the City consider a couple of scenarios: one using a 0% increase, one with a 3% increase, applying each of the percentages with and without the VLF (four scenarios). She stated that she was not comfortable with the projected 3% increase in sales tax. She agreed that the City would get the VLF back some point in time.

Council Member Sellers said that should Governor Davis get his way, this would be a worst case scenario.

City Manager Tewes addressed the budget forecast. He said that staff prepares the annual budget based on current data. He said that the Council should scrutinize the budget estimates. He indicated that a major component of the sales tax comes from business to business. He said that the City has in its possession confidential data of everyday business and how many day to day businesses exist.

Mayor Kennedy noted that there has been no discussion about creating new businesses.

Council Member Sellers said that both industrial business parks in the community are increasing their staffing levels. This growth can help offset the situation along with other new businesses that come in for the short term. He said that he was comfortable with the 3% sales tax and the 5% property tax projections.

Mayor Kennedy said that auto dealerships bring in a significant amount of tax revenue with a healthy auto dealership having \$25 million in sales, generating \$250,000 in sales tax. He inquired as to the status of potential auto dealership(s)?

City Manager Tewes said that a new auto dealer has met with planning staff regarding conceptual review but that he did not believe that a formal application has been submitted for Architectural and Site Review.

Director of Business Assistance and Housing Services Toy said that it is the new auto dealer's game plan to have the auto dealership opened in two years.

Mayor Kennedy said that the Council needs to provide staff with direction on the budget solution strategy they should focus on.

Mayor Pro Tempore Chang stated that she was not comfortable with the 3% sales tax revenue projection.

Council Member Sellers said that he was trying to determine a base sales tax increase.

Mayor Kennedy noted that Mayor Pro Tempore Chang recommended that four budget scenarios be presented.

City Manager Tewes said that it appears that the Council needs to know possible denominations in order to proceed with next fiscal year's budget.

Mayor Kennedy recommended that the budget be plugged in and that as the City approaches the June 30, 2003 budget adoption date, the Council can revisit the budget and adjust it accordingly.

Mayor Pro Tempore Chang recommended that sales taxes be included as part of budget preparation at zero growth and 3% growth; and each category to be calculated with and without the VLF. She said that she would like to see the numbers line up so that she can determine what she would approve. She said that once staff has provided the Council with the numbers, the Council can identify its solution strategy.

Council Member Sellers identified his priorities as follows: 1) expand the sales tax base, and 2) draw down the general fund reserve. He felt that the City's high reserves have to be in line with those of other cities. Should the Council wish to retain its 40% general fund reserve policy, cuts will need to be discussed.

Council Member Carr said that staff needs to know the numbers to be used in order to allow the Council to have the discussion that needs to take place. He said that staff can recommend a reduction that will help the budget. He said that the Council may need to discuss cuts in order to retain the reserves.

Council Member Tate noted that staff has already reduced its costs by \$400,000.

Mayor Kennedy did not know if the City has performed all the reductions that need to be taken.

City Manager Tewes said that staff has cut as much as can be cut. If the City is to have a smaller staffing level, the City needs to provide adequate training for staff left behind.

Council Member Tate felt that staff has reduced the budget to what is reasonable.

Mayor Pro Tempore Chang felt that everyone has a priority but that it would take time for her to rank her priorities.

Council Member Tate would rank reducing costs as his number 1 priority but not to the point of being unreasonable.

Council Member Carr felt that staff has cut as much as it can. Further reductions would result in the elimination of essential services. He stated that further reduction in costs is not a high priority to him.

Council Member Tate felt that the Council would be looking at using the reserves beyond next fiscal year.

Mayor Pro Tempore Chang and Mayor Kennedy felt that it would be a high priority to ask staff to make additional cuts but not to the level where it becomes unreasonable.

City Manager Tewes informed the Council that staff has made cuts and that City staff has minimized costs in order to provide training and maintain the current staffing levels.

Council Member Sellers felt that staff did a great job in reducing costs.

Mayor Kennedy said that when it comes to layoffs versus training programs, he would cut training programs. He said that he would rank this as a high priority.

Council Member Tate said that he wanted to make sure that the City retains its existing healthy reserves.

Mayor Kennedy noted that another strategy is to draw down the general fund reserve to less than 40%.

City Manager Tewes said that the current reserve is at \$10 million and \$1.4 million for fire. Staff is managing reduction of the budget based on Council policy and the economy. He said that cumulative, the City would draw down the reserve by \$1.1 million. He informed the Council that staff has spent hours reviewing the budget and that it would require reducing the policy below 40% even though staff reduces its costs and expenditures.

The Council offered the following comments under the Potential Solution Priority Sheet distributed by the City Manager:

Controlling Future Cost Increases: Council Member Tate indicated that this was a medium priority to him. Mayor Kennedy felt that this was a high priority. Council Member Sellers said that the City could try to maintain benefits but if costs go up, costs need to be adjusted accordingly. Council Member Carr recommended looking at ways of reducing costs. Mayor Pro Tempore Chang felt that this was a low priority.

Eliminating or Reducing Programs or Services: Mayor Kennedy ranked this as a low priority. Council Member Tate ranked this as a #2 priority based on the fact that benefits will increase. He recommended looking at the Park and Street Maintenance fund. Council Member Sellers rated this solution as low because it would be at odds with what the Council is trying to achieve. He noted that the Council has indicated that staff layoffs was a low priority solution. Council Member Carr ranked this solution as a low priority. Mayor Pro Tempore Chang indicated that this was a low priority solution.

Deferring Programs or Projects: Council Member Sellers said that the indoor recreation center would not change anything as it would be a self supporting project. He indicated that the Fire Master Plan and the police station could be delayed for a year. He indicated that he would like to see where funding for the aquatics complex would come from as it may result in taking a big hit on the general fund. Council Member Tate recommended that the Fire Master Plan be deferred for a year. Also, defer the aquatics center in order to avoid adding to the problem. However, he felt that the police station was a different situation. He said that asking the police personnel to work out of an inadequate station should be given separate consideration. Council Member Carr said that ranking of projects would depend on what action is taken on other items. He would like to keep all programs on line. If the City is to retain high reserves, he did not believe that the city could implement new programs. Mayor Pro Tempore Chang recommended taking \$2 million from the reserves for the police station. She said that she would support using the reserves for one time use and not for on going purposes. She concurred with the other comments as expressed. Mayor Kennedy stated that he would not mind using reserves as one time expenditures. He did not want to use reserves for on going operations.

Council Member Sellers felt that it would be appropriate to use funds for economic development of the downtown as an on going use/expenditures.

Reorganizing City Functions: Council Member Sellers said that if this was a smart idea, staff would have already implemented this solution.

City Manager Tewes said that staff would reorganize city functions explicitly to reduce costs. If vacancies exist, reorganization might work. He said that vacancies are occurring in the enterprising funds and not within the general fund departments.

Council Member Sellers felt that this may be a short term solution. Mayor Pro Tempore Chang felt that this solution was at the City Manager's discretion. Council Member Tate listed this solution as a low priority. Mayor Kennedy listed this solution as a high priority. Council Member Carr said that if this solution becomes a high priority, it may affect services.

Mayor Kennedy said that Council Member Sellers pointed out that staff may have already implemented this solution. If in reorganizing, it is done simply to cut cost and not provide greater efficiency in services, he would support leaving this solution to the City Manager's discretion.

Increasing Taxes or Fees: Council Member Sellers stated that the City is looking at bringing projects on line. It would be fair to take the question to the voters of maintaining a level that is appropriate for the community and that he would support a recreation parcel tax. He said that cities would be looking at ways to stabilize local budgets.

Council Member Tate concurred with Council Member Sellers comments.

Council Member Carr ranked this solution as a low priority based on the City's high reserve balance. He did not believe that the voters would approve a tax measure because the City has high reserves.

Director of Finance Dilles said that under the projection presented, the City would drop below the 40% reserve in 2005-06.

Mayor Pro Tempore Chang said that the discussion needs to focus on whether the City is moving forward with the aquatics center, the fire master plan, the police station, and other identified projects. She said that in five years the City would only have \$1.5 million in reserves.

City Manager Tewes said that based on a 10-year assumption, the City would be dipping into its reserves, dropping the reserves slightly below 40% in 2005/06 without proceeding with significant projects. If the significant projects are undertaken, the reserves would be below the 40% adopted policy. Under this forecast, the City would spend more than it takes in and would have to draw from the reserves.

Expanding Tax Base: It was the consensus of the Council that this is a high priority issue. Mayor Pro Tempore Chang stated that she would support this solution with the exception of an auto dealership.

Drawing Down Other Reserve Funds: Mayor Kennedy indicated that this is a low priority solution as it provides a source of revenue to offset operating costs. If the City uses the trust fund, you end up paying more in property taxes. Council Member Tate stated that he needs to understand how much reserves would be used. Council Member Carr felt that this was a high priority item. Council Member Sellers said that it would be foolish to use reserve funds for ongoing costs. Mayor Kennedy considered this to be low priority but felt that it could be implemented as a last resort.

City Manager Tewes said that staff would prepare and submit a base budget for Council consideration. Staff will review long range strategies and return to the Council with said strategies at a future meeting.

**Action:** *Council Members **Discussed** the 2002-2003 City Budget, and **Provided** the above stated comments to Staff.*

## ***City Council and Redevelopment Agency Action***

Mayor Kennedy announced that the Closed Session items would be deferred to the conclusion of the regular agenda.

### **CLOSED SESSIONS:**

#### **1.**

##### **CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**

Significant Exposure/Initiation of Litigation

Authority: Government Code Sections 54956.9(b) & (c)

Number of Potential Cases: 4

#### **2.**

##### **CONFERENCE WITH LEGAL COUNSEL - POTENTIAL AND EXISTING LITIGATION:**

##### **CONFERENCE WITH REAL PROPERTY NEGOTIATORS**

Legal Authority: Government Code 54956.8 & 54956.9(a) & (c) (1 potential case)

Real Property(ies) involved: APN 728-31-007 & 008; 25.50 acres located on the southwesterly side of Cochrane Road (St. Louise Hospital property)

City Negotiators: Agency Members; Executive Director; Agency Counsel; F. Gale Conner, special counsel; Rutan & Tucker, special counsel

Case Name: San Jose Christian College v. City of Morgan Hill

Case Numbers: Ninth Circuit Court of Appeal No. 02-15693

Closed Session Topic: Potential Existing Litigation/Real Estate Negotiations

### **SILENT INVOCATION**

### **PLEDGE OF ALLEGIANCE**

At the invitation of Mayor/Chairperson Kennedy, Wes Rolley, Parks and Recreation Commissioner, led the Pledge of Allegiance.

### **PROCLAMATIONS**

Mayor Kennedy presented a proclamation to Jan Fox, Santa Clara County Office of Education, in honor of Silicon Valley Reads. He announced that on February 22, 2003, Francisco Jimenez, author of *Breaking Through* will be at the Morgan Hill Community Center from 10 a.m. to 12 noon to conduct discussions and book signings. He encouraged everyone to attend and become involved in this worthwhile program.

Mayor Kennedy presented a proclamation to Celia Sanchez and Inga Huang, co presidents of Future Business Leaders of America, proclaiming February 9-15, 2003 as *Future Business Leaders of America Week*. He recognized Kiki Nakauchi for being a coach, educator and trainer of the FBLA program for many years.

### **CITY COUNCIL REPORT**

Council Member Carr addressed the grand opening of the Morgan Hill Community Playhouse held last Friday night. He thanked staff for working hard and putting the grand opening together; bringing together the different performance as well as the ribbon cutting ceremony. He said that the South Valley Civic Theater will be opening their first show this Friday evening with *Lend Me a Tenor*. He felt that this would be a great opportunity for individuals to see the playhouse. He stated that the Measure P Committee is working diligently at catch up to the pace where it should be. He said that there has been great discussions taking place that have set the committee a little off pace. He said that Chairman Tate is working diligently to get the committee back on track to meet the new deadline established. 3) The Economic Development Committee (EDC) continues to work on an economic strategy that would be brought before the Council. The EDC is also working on some of the issues relating to economic development and putting ideas together that were presented to the Council at the retreat relating to a competition, specifically in the downtown, to serve as a catalyst to revitalize the downtown. The EDC will return to the Council for review and approval of a strategy. 4) The City-School Liaison Committee will meet on Friday, February 7, 2002. The agendas for these meetings are set in order for the City to learn more about the School District and for the School District to learn more about the City's operations in ways to work together. The School District will address school impacts based on the state budget and that the City will address the City's budget impacts as well.

### **COUNCIL SUB-COMMITTEE REPORT**

No subcommittee reports were presented.

### **CITY MANAGER REPORT**



City Manager said that at the Council budget study workshop, staff discussed with the Council the implications of the current economic recession in Silicon Valley and its implications to the City's budget. He said that the City needs to reduce its costs in order to address the recession. Staff also shared with the Council the major impact on the City's budget that would occur if Governor Davis' proposal to reduce the City's annual revenues by 10% gets enacted. He indicated that the Governor vetoed a proposal by the legislature to restore motor vehicle license fee revenues to their previous levels. He felt that the City needs to anticipate that the State will take money away from local services and will have adverse impacts on the City's budget. He indicated that staff would continue to keep the community up to date with items on the City's website for individuals interested in following the budget debate and its implications on local city services. He indicated that the Council has spent three days, over the last couple of weeks, working on its annual goal setting sessions. The Council directed staff to document a series of decisions that have been made and bring them back for Council consideration. He said that he proposes to bring goals back for Council consideration on February 26 to confirm that these are the goals that the Council wishes to pursue.

#### **CITY ATTORNEY REPORT**

City Attorney Leichter stated that she did not have a report to present this evening.

#### **OTHER REPORTS**

#### **PUBLIC COMMENT**

Chris McCann, Best America Party, distributed an article entitled *Homeless is a Problem of the Heart* that will be published in the Morgan Hill Times on Friday. He addressed a possible solution to end homelessness in Morgan Hill and abroad. He said that he is proposing a *Back on My Feet Foundation/Program*. The goal of the program is to have a Morgan Hill and abroad program where every citizen who is homeless or falls on hard times and becomes homeless know that there is a program that will help them get back on the road to independence and prosperity once again. The individual who signs up for the program is given a form of identification that states that the individual is getting back on their feet and is a participant of the program. Local employers are contacted to help find work for program members. Once participants are employed and begin to accumulate money, the program would hold the majority of the money earned and lets it grow until there is enough to rent an apartment or a designated place to live. Individuals would be able to leave the institution and begin living an independent and productive life. He stated that he would donate his time to make Morgan Hill homeless free. If the City cannot help in a formal fashion, he has a sense of satisfaction that he has spread more awareness to the situation. He welcomed the help from others interested in attaining this goal.

No other comments were offered.

#### ***City Council Action***

#### **CONSENT CALENDAR:**

**Action:** *On a motion by Council Member Tate and seconded by Council Member Sellers, the Council unanimously (5-0) **Approved** Consent Calendar Items 2 - 11, as follows:*

2. **MID-YEAR 2002/2003 BUDGET ADJUSTMENTS**

**Action:** **Approved** Proposed Mid-Year Budget Adjustments for 2002/2003.

3. **AGREEMENT WITH THE STROMBOTNE LAW FIRM**

**Action:** **Authorized** the City Manager to Execute an Agreement with the Strombotne Law Firm.

4. **RESOLUTION AMENDING CITY'S CONFLICT OF INTEREST CODE REPORTING CATEGORIES – Resolution No. 5634**

**Action:** **Adopted** Resolution No. 5634 Amending the List of Positions Subject to the City's Conflict of Interest Code.

5. **AGREEMENT TO PARTICIPATE IN LOCAL CALIFORNIA IDENTIFICATION SYSTEM**

**Action:** 1) **Authorized** the City Manager to Sign the Amended and Restated Agreement to Provide Local Agency Access to California Identification System (CAL-ID); and 2) **Authorized** Payment of \$32,741.00 as Morgan Hill's Contribution to the Santa Clara County California Identification System Remote Access Network (CAL-ID RAN) Policy Board.

6. **ACCEPTANCE OF PUBLIC IMPROVEMENTS FOR MADRONE BUSINESS PARK – Resolution No. 5635**

**Action:** 1) **Adopted** Resolution No. 5635, Accepting the Public Improvements for Madrone Business Park; and 2) **Directed** the City Clerk to File a Notice of Completion with the County Recorder's Office.

7. **ACCEPTANCE OF COSMO/MONTEREY SANITARY SEWER REPLACEMENT PROJECT**

**Action:** 1) **Accepted** as Complete the Cosmo/Monterey Sanitary Sewer Replacement Project in the Final Amount of \$653,250.11; and 2) **Directed** the City Clerk to file a Notice of Completion with the County Recorder's Office.

8. **ACCEPTANCE OF SLURRY SEAL AND ROADWAY REPAIR PROJECT**

**Action:** 1) **Accepted** as Complete the Slurry Seal and Roadway Repair Project in the Final Amount of \$254,950.00; and 2) **Directed** the City Clerk to file a Notice of Completion with the County Recorder's Office.

9. **AMEND PROFESSIONAL SERVICES AGREEMENT FOR APPRAISAL SERVICES FOR HULBERG & ASSOCIATES FOR TENNANT AVENUE WIDENING**

**Action:** 1) **Approved** Additional Scope of Work for Hulberg & Associates in the Amount of \$7,500.00; and 2) **Authorized** the City Manager to Execute a Second Amendment to the Existing

*Professional Services Agreement for Appraisal Services for the Tennant Avenue Widening Project. The Total Second Amended Professional Services Agreement Shall Not Exceed \$27,499.00.*

10. **EMERGENCY AUTHORIZATION FOR STORM DRAIN REPAIR ALONG EAST DUNNE AVENUE, TRAIL DRIVE, WOODLAND AVENUE, AND DIANA COURT – Resolution No. 5636**

**Action:** 1) **Adopted** Resolution No. 5636, Declaring the Need for This Emergency Expenditure; and 2) **Approved** the Expenditure of \$25,000.00 from the 2002-2003 Pubic Works – Streets Division Operating Budget to Fund an Emergency Storm Drain System Repair on Dunne, Trail, and Rolling Hills Drive at Woodland Avenue, and Diana Court.

11. **PAYMENT OF OPEN SPACE IN LIEU FEE FOR THE OAK CREEK AND CENTRAL PARK DEVELOPMENTS**

**Action:** **Approved** Request to Pay an Open Space Fee in Lieu of Each Transfer Development Credit (TDC) Commitment for the Oak Creek Development and the Central Park Development Phases 2 Through 4.

## ***City Council and Redevelopment Agency Action***

**Action:** On a motion by Council/Agency Member Tate and seconded by Council/Agency Member Sellers, the Council/Agency Board unanimously (5-0) **Approved** Consent Calendar Item 12, as follows:

12. **JOINT SPECIAL AND REGULAR REDEVELOPMENT AGENCY AND SPECIAL CITY COUNCIL MEETING MINUTES OF JANUARY 22, 2003**

**Action:** **Approved** the Minutes as written.

## ***City Council and Redevelopment Agency Action***

### **PUBLIC HEARINGS:**

13. **PUBLIC HEARING REGARDING WATER RATES – Resolution No. 5638**

Director of Finance Dilles presented the staff report. At the request of Council Member Sellers, Mr. Dilles explained that the alternative 8% rate increase would raise more revenue earlier and that it would be a bigger hit on the rate payers. As it would raise more money earlier in the process, the number happens to be smaller. The effect of the 2% at the end would be much smaller than the 2% of the 8% if it were done as a one time rate increase.

Mayor Kennedy opened the public hearing.

Wes Rolley stated that he in reviewing the water rate information, he found one thing that disturbs him; that being that out of a \$6 million budget, the City is spending only \$13,000 on water conservation programs. This is less than  $\frac{1}{4}$  of 1% of the total budget being spent on water conservation. He stated his support of the rate increase, particular by the method that steps the rates up by 2% per year as this gives an opportunity to stop the process. It was his belief that increased emphases on water conservation would be important in holding the water rates down. He felt that this was something that the Council should be looking into. He suggested that other conservations measures be undertaken besides the water conservation measures being recommended by the Water District such as: 1) increasing rates for high water users that are non agricultural such as private recreational swimming pools; 2) establish a pilot program and perform further investigation on the use of gray water for lawn watering in residential areas. He felt that this is an issue that has not been given focus to and yet, the State has official guidelines for using gray water safely. He felt that a gray water use program could be implemented that would lower everyone's water use. At the same time, it would have a reduction on the amount of material that would go through the sewer, impacting the longevity of the current sewer system.

No further comments being offered, the public hearing was closed.

Council Member Sellers stated that he appreciated Mr. Rolley's comments. He indicated that the Council has received several presentations and has held several meeting, including a broader public discussion a few weeks ago. He felt that the items raised by Mr. Rolley were unique and have not been discussed directly before. He stated that the City ties in with the Water District as far as water conservation is concerned and felt that there is always more that can be done. He noted that the City has a scaled rate implemented where water users pay based on the amount of water used. Regarding the recommendation on gray water use, he felt that this recommendation would be worth pursuing. He stated that he read the other night that the City of Redwood City tried to pursue this recommendation and that it had a significant protest from neighbors who were concerned about runoff even though it had been proven that there were no deleterious effects on their properties or long term effects. He felt that Mr. Rolley's suggestion is worth pursuing but that it needs to be understood that there are realities and public perception that might make this more difficult to implement. He felt that Mr. Rolley's comments were well taken and recommended that the Council move forward with the item this evening.

Council Member Tate said that they way the recommendation is being put forward is that the Council would approve a 2% rate increase over a five year period with staff returning to the Council ever year to recommend the increase. He stated that he was not sure whether this was the best way to proceed or whether it would be preferable to state that the Council has to approve the 2% rate increase proactively every year rather than stating that it pre approved a five year 2% rate increase.

Council Member Sellers said that if the Council does not provide a five year projection, it would be difficult for budgetary and planning purposes.

Mayor Kennedy recommended that the Council approve the five year 2% increases but that each year, staff is to present the Council with a report. This would afford the Council the opportunity to change

direction. He stated that he was supportive of the resolution before the Council. He inquired whether the City has conservation programs in place that allows for low flow toilets and low use water fixtures?

Director of Finance Dilles responded that the City encourages conservation by requiring the installation of low flow toilets for residential remodels as well as for new construction. He said that credit should be given to developers for the installation of recirculating hot water systems.

Mayor Kennedy inquired whether there was a sense on how effective these programs are? He inquired whether increased water conservation participation would occur if the City increased its contribution toward conservation?

Assistant to the City Manager Eulo said that every toilet that can be purchased are ultra low flow. He stated that there is no longer a rebate program or any program at this level that would encourage individuals to buy these kinds of toilets. He said that every time there is a remodel and you change your toilet, one has to purchase an ultra low flow toilet. When an individual starts water service with the City, they are offered a package of literature as well as aerators and shower heads if they are desired. He said that in the past, the Water District gave toilets to encourage individuals to change their toilets who were not otherwise remodeling. He said that this program has not been repeated in recent years due to budgetary constraints.

Mayor Kennedy inquired as to the programs that could be implemented and their costs should the Council decide to increase its funding allocation for water conservation.

Director of Public Works Ashcraft said that the City spends \$13,000 toward water conservation. He said that this is not the only amount spent toward water conservation. He said that there is a \$6 million annual budget for water and that the City pays over \$1 million in pump tax to the Santa Clara Water District. One thing that the Water District does with the \$1 million is to have a large dedicated staff who addresses water conservation. The City cooperates with the Water District toward the \$13,000 and implements water conservation measures in the City. He stated that the Water District will visit businesses and residences and perform a free water audit to determine if one can save water by implementing a variety of measures. He felt that the Water District can produce materials and has a more cost effective water conservation program than the City can provide.

City Manager Tewes said that staff can evaluate other water conservation options in the course of preparing next year's budget and return to the Council with these options at budget time.

Mayor Kennedy said that the City, in some of its new public facilities, is requiring green building standards that include the use of gray water. He said that the City is looking toward conservation with the implementation of green building standards. He recommended that the City insists that the Santa Clara County courthouse public building use the same standards when it is designed and built. He felt that the City can take the lead in the use of gray water and green building standards.

Council Member Sellers noted that section 3 of the resolution states that “The Finance Director’s report shall analyze whether the January 1 increase is necessary.” He said that the Finance Director has to make a case for increasing the water rates in a given year.

Council Member Tate stated that by adopting the resolution, the Council is approving five contiguous increases. He felt that the Council should approve the rate increase one year at a time. However, he would support the motion.

Council Member Carr inquired whether public hearings would be necessary should the Council support Council Member Tate’s recommendation that staff return each year with a 2% rate increase or whether staff could simply bring back to the Council the issue of the rate increase?

City Attorney Leichter indicated that Council Member Tate is requesting that the Council approve the fee increase on a year by year basis.

Council Member Tate clarified that he is suggesting that the Council revalidate each year the 2% rate increase.

City Attorney Leichter indicated that revalidation would require going through the entire process, including public hearings.

**Action:**        *On a motion by Council Member Sellers and seconded by Mayor Pro Tempore Chang, the Council unanimously (5-0) **Adopted** Resolution No. 5638, Implementing Adjustments to Water User Rates.*

**14.    RESOLUTION AUTHORIZING THE SANTA CLARA COUNTY FIRE MARSHAL TO ABATE WEEDS – Resolution No. 5639**

Assistant to the City Manager Dilles presented the staff report. She said that last year, the City was aware that there were a number of concerns about communication with property owners and that staff had concerns about the administration of the program. She indicated that staff has been working closely with the Fire Marshal’s office to see if there were ways to further streamline the program. She said that the City has not adopted a policy on how to handle requests by property owners to remove their properties from the program. Typically, once a parcel is placed on the program, it remains on the program for three years. This gives the Fire Marshal an opportunity to work with the property owner to make sure that they are aware of their responsibilities on maintaining property to avoid being placed on the program in the future. She said that typically, after the three year period is up, the property owner continues to perform abatement on their own or they continue on the program and prefer that the County perform the abatement on an on going basis. However, it has been a difficult process when a property owner does not believe that being on the program is appropriate. These individuals attend the public hearing and request removal from the program. She proposed a couple of policy options that the Council may wish to consider should the Council wish to handle requests differently in the future, providing staff with direction on how this might be handled in the future. Without a policy in place, she felt that it

would be appropriate to open the public hearing and entertain comments about properties that are on the list this year. The Council can then discuss the options developed at this time for policy implementation in the future.

Mayor Kennedy opened the public hearing.

Yvonne Fields stated that she was not supportive of weeds, yet, she is on the Fire Marshal's list. She said that a person from the fire department visited her property in early April 2002. He found the grass to be abundant and green. She stated that she has lived on Thomas Grade since 1965 and that she has never failed to abate weeds by the time the grass dries enough to burn. She stated that she lives on a very steep slope and that she depends on the grass for erosion control. She indicated that she received a letter stating that she has to have all vegetation removed by March 1, noting that it will still be raining. She requested that the time frame be adjusted as this is a hardship for those who reside on very steep slopes.

Jim Darnhire, 16890 Oak Leaf Drive, stated that he was offended by the tone of the letter received and with the authority that it gives the Fire Marshal inspectors as early as March to exercise unilateral confiscatory power. He stated that he intends to prevent fire hazards on his property and that he has done so for the past 20 years. He said that fire hazards do not exist in February when he is being requested to mow his lawn. He said that he has experienced the worse flooding occurring the month of March. He said that it is not clear whether he needs a bare earth policy over his entire lot that is on a slope or whether he has to mow down to six inches. It was his belief that he was placed on the abatement plan based on an inspection conducted last year in March or April when things were still green and tall wild oats were higher than six inches. He did not believe that a fire hazard exists at this point in time. Further, he did not believe that the inspection was appropriate at the time. He indicated that he normally cuts his lawn in late April or May, as time and weather permits. He found the March deadline to be offensive. He recommended that the inspections be conducted when fire hazards are tangible. He felt that most responsible individuals would have cleared their properties and inspections would be less intensive. Further, individuals who are not in compliance with the inspection criteria should be given the opportunity to understand and abate inadequacies.

No further comments being offered, the public hearing was closed.

Ms. Diles indicated that the Fire Marshal's office reviews the letter sent to property owners each year. She said that there is a tremendous amount of information that they are attempting to convey to property owners. In terms of the tone of the letter, she understood that it could be interpreted to be offensive because it is requiring that the property be maintained in a certain way per state law. She said that this was not the intent of the letter and that staff and the Fire Marshal's office is working together to ensure that this is not the case. In terms of the timing of the inspection, she deferred the response to the representative from the Fire Marshal's office.

Assistant County Fire Marshall Judy Saunders stated that it has been found that it is not the letter, per se, that individuals find offensive, but that the language contained in the legal notice. She said that the

notice to destroy weeds and the notice of the public hearing process is language mandated by the Health and Safety Code and contained in the City's Municipal Code. In speaking to the deadlines, she said that this is something that is frequently raised by property owners. She said that it is difficult to deal with, especially when you look at a community like Morgan Hill. She said that it is even worse in some areas where you have different types of terrains. She said that Morgan Hill has some low lying areas that flood and some areas in the hillside that stay wetter later in the year. She stated that the Fire Marshal's office encourages individuals to contact her office if they are not able to meet to the deadline or if they do not believe that it is reasonable in relation to their property. She said that the Fire Marshal's office will conduct a site visit and work with property owners to make sure that they understand what the requirements are. The Fire Marshal's office feels the same way as those who spoke this evening that the deadlines are too soon. However, there is a large part of the community that believes that abatement is not occurring soon enough. There are approximately 5,000 parcels that need to be inspected, with inspections taking place 2-3 times for every season. She said that the entire process is driven by the tax roll deadline of August 1. Therefore, the entire program backs up from the August 1 date. She stated that she needs to have the abatement completed by the end June as a target date in order to present the list to the City Councils and go through the hearing process in time to get the information to the tax collectors office to make the tax roll. She said that she has tried to adjust some of the deadlines for Saratoga and Los Gatos that are all hillside areas. She noted that the majority of the Morgan Hill community is down on the flat lands where it is dry enough to start the abatement sooner. The other thing that the Council needs to take into consideration is technically, on average, the fire season starts May 15 and that this season varies every year. She said that the Fire Marshal's office tries to get the abatement completed as early as possible for this reason as well.

Mayor Kennedy noted that it was mentioned that some of the other communities conduct abatement at a later date because they are hillside areas. He inquired if it was possible for the Fire Marshal's office to conduct Morgan Hill's abatements at a later date as well?

Ms. Saunders responded that the problem would be identifying the parcels located in the hillside as she does not have the ability to identify hillside properties through the assessor's data base.

Council Member Sellers felt that City staff could assist the Fire Marshal's office to identify hillside areas.

Ms. Saunders indicated that the Fire Marshal's office has a hazardous fire area and that this would be one way to delineate this line. This was not pursued in other communities because of the staff time that would be needed to identify these parcels. She said that the Fire Marshal's office tries to keep its cost down for property owners.

Mayor Kennedy said that it was his belief that the vast majority of the property owners on the list are located on the hillside. He felt that it would make sense to have Morgan Hill follow the weed abatement schedule of Saratoga and Los Gatos.



Ms. Saunders indicated that abatement for the cities of Saratoga and Los Gatos is April 1. She indicated that the Fire Marshal's office serves the entire Santa Clara County. If all cities were to move their deadlines, it would create a problem. She said that Palo Alto and Los Altos Hills are scheduled for April 30 because of the moratorium on grading. She said that she would be happy to take a look at Council Member Sellers suggestion that her office work with staff in identify hillside areas.

Council Member Carr stated that his preference would be to move Morgan Hill's date back. He noted that the majority of the addresses on the abatement list are located on hillsides. Therefore, he felt that Morgan Hill was like other hillside communities. If the Fire Marshal's office cannot move back the date, he inquired if the notice could state that for properties located on the hillside who cannot abate weeds by the identified deadline, they have a 4-6 month reprieve. However, the property owners would need to contact the Fire Marshal's office to obtain the reprieve.

Ms. Saunders responded that she could work with staff to study Council Member Carr's suggestion.

Council Member Tate stated that his preference would be to move the deadline to April 1. He did not know why Los Altos would have precedence over Morgan Hill, noting that Los Altos has a lot of flat land.

Ms. Saunders said that Morgan Hill has different exposures and different types of vegetation and that Morgan Hill dries out sooner than the northern part of the county.

Mayor Kennedy requested the Fire Marshal's office review if the suggestions made this evening to see if there was a way to accommodate the concerns that have been raised.

Council Member Sellers inquired whether the suggestions raised this evening could be incorporated this evening or whether the item should be continued to allow staff to incorporate the suggestions?

Ms. Diles noted that neither of the property owners in attendance specifically requested to be removed from the list. She said that the Council could move forward with the adoption of the resolution. She stated that staff has a revised list that she needs to provide the Council as there is one property owner who has two parcels that were due to be removed from the program. These two properties can be removed as part of the action to be taken this evening. She said that the suggestions for working with the Fire Marshal's office on the language and the timing of abatement can be done independently of the action on the resolution.

Council Member Sellers thanked staff for making the language better from past years letters. He said that it sounds like the City will work toward moving the date back, particularly for properties on the hillside. Therefore, he would support adoption of the resolution this evening.

Mayor Kennedy felt that the letter sent to property owners appears to be authoritarian and that he understood the concerns that the letter would generate. He said that it would be helpful if the Fire Marshal's office indicate that abatement is pursuant to the Health and Safety Code.

**Action:**        *On a motion by Council Member Sellers and seconded by Council Member Tate, the City Council unanimously (5-0) **Adopted** Resolution No. 5639, Authorizing the Santa Clara County Fire Marshal to Abate Weeds.*

Ms. Dile indicated that staff has some options for Council consideration on how to handle individual requests to be removed from the abatement list.

Council Member Sellers stated that he was comfortable with keeping option 1 as recommended by staff. He felt that the Council may have removed a lot of the properties that needed to be removed from the list. Therefore, he recommended that the City stick with the status quo at this point, understanding that the Council needs to review the issue every year. If it becomes a problem again, the Council can look at changing the policy at that point in time.

## ***Redevelopment Agency Action***

### **OTHER BUSINESS:**

#### **15.    PRELIMINARY FINANCIAL ANALYSIS FOR THE MORGAN HILL AQUATIC COMPLEX**

Recreation and Community Services Division Manager Spier presented the staff report. She indicated that the schematic design proposes a shallow end for the 50-meter competition pool. She said that a bid alternate to be considered this evening is to proceed with a 2 meter or 7 foot depth, replacing the shallow end with a hydraulic movable floor.

Chairman Kennedy said that the idea of a removable bottom floor with a seven foot depth came out of a previous phone conversation with Lauren Livingston. Senior Project Manager Jim Dumas took a preliminary look at this option and that it was found that it would be cost prohibitive. Also, there would be potential problems with the mechanical operation. He said that the idea of a moveable bottom would be too expensive and too time consuming to pursue, therefore, this option should be eliminated. He felt that a 7-foot minimum depth may be a better alternative to be considered and would not take additional time or cost to include.

Lauren Livingston, Sports Management Group, presented a power point presentation on the report prepared, including a financial analysis based on a city-operated facility. She said that she made a set of assumptions that the recreation pool, the spray ground and the instructional pool would be operated for 16 weeks. She addressed operating costs, planning and fee assumptions, including scholarships and sliding scale fees. She reviewed different options and cost recovery potentials associated with a 9 month and 12 month operation. Also, considered were possible revenue enhancements (e.g., use of second slide, and/or additional 2 lap lanes).

Vice-chair Chang noted that the report states that the average subsidy for 9 months of operation is \$154,000. She inquired whether there was a 6-month or 7-month operation with a break even scenario?

Ms. Livingston said that it is the recreational areas that generates revenues and that the subsidy is attributable to having a larger body of water. She estimated that with about six months of operation of the competitive pool, the City would probably break even and would result in a savings of approximately \$110,000 as a best estimate.

Chairman Kennedy said that it was important that there is a fall back or contingency plan to make sure that the City is not placed at risk. He felt that the City could operate the facility at a point where it will, at a minimum, break even facility. He said that the key months are the four summer months that the facility could make the most money.

Vice-chair Chang inquired whether the recreational pool, if converted into an indoor pool, would be a year long operation and make money?

Ms. Livingston did not believe that an indoor pool would have enough of the attraction when you couple it with the types of features would be included within the indoor recreation center. As a stand alone facility, she did not believe that the City would anticipate cost recovery. She indicated that indoor pools are very expensive and would be a losing proposition for the City.

Agency Member Tate noted that cost recovery would occur in the third year. He could not locate the start up costs referred to for the first and second year.

Ms. Livingston said that the start up costs were not included in the report. She said that it would be expected for the City to achieve cost recovery by the end of the second year of operation. In the first year, she would expect to see the city closer to the low end of the projections as the programs are not yet established and that the activities are not known to the community. Therefore, the participation numbers may be at the low end of the range for the first year. She said that there is a newness factor that takes place that could alter this. The City could get a lot of people interested in visiting the aquatics complex.

Agency Member Tate wanted to understand the absolute dollars that would have to be spent to start up the aquatics center.

Ms. Speir referred to page 26 of the staff report. She stated that the Sports Management Group suggests a cost recovery potential for a 9-month operational facility. She said that the worse case scenario would be an annual subsidy of \$256,500 in the first year. By year three, the complex is up and running and things are going well, resulting in approximately \$154,000 in subsidies. She felt that in year two, the subsidy figure would be between \$154,000 and \$256,500. She clarified that this was a 9-month scenario. Leaving the facility open year round, closing the recreation components and leaving the competition pool would result in a subsidy of approximately \$388,000 the first year.

Vice-chair Chang inquired as to the start up costs for the first couple of years?

Ms. Livingston said that she is suggesting that there is \$110,000 to \$120,000 savings for the additional three months. This means that the City would be at \$140,000-150,000 at the low end in start up costs.

At the request of Agency Member Carr, Ms. Livingston addressed the difference between the all deep water 50-meter pool and the 50-meter pool with a shallow end. She said that typically, you have to provide some 3'6" water depth in order to avoid a designation by the Health Department that it is a special use pool. The special use pool would limit the use of the pool so that it could not be used for recreational purposes or informal lap swimming. She said that special use pools would be designated as competitive pools or a single use pool. The user would need to designate what the single use would be. She said that incorporating the amount of shallow water that is currently planned would avoid this kind of designation and does not make the pool any more suitable for the activities that require individuals to be able to stand in water that is chest deep. If the City were to approve a 7-foot depth, it would have no impact on the classes that could be offered in the pool. If it were the case that in doing so would change the designation to a single use, there would be a problematic and a financial impact because the city would lose the opportunity to use the pool for recreational use. She estimated that the loss would be between \$30,000-40,000 in revenue. She attributes the revenue loss primarily to the older youth using the pool. She said that there is very little revenue impact that can be attributed to the opportunity to do more special events such as water polo tournaments.

Agency Member Tate noted that the bottom line for maximum revenue would be the inclusion of a shallow end.

Ms. Livingston stated that her recommendation regarding the addition of the lap lanes into the other pool, should the Agency chose to go deep with this pool, was to try to help capture some of the revenue that would be lost. She noted that it would capture just a small portion of revenue.

Agency Member Carr inquired whether the cost recovery scenario assumes the 50-meter pool is at a minimum 7-foot depth?

Ms. Livingston responded that it assumes that the pool does not have a shallow water area for classes at 4'6". As designed, there is not sufficient shallow water to conduct classes. It does assume that it is not a single use or special use pool. She said that the L-shape pool design helps the City meet this requirement. If the 50-meter pool was designed to become a special use pool, the City would see an impact of \$30,000-\$40,000 in loss revenue.

Chairman Kennedy said that as currently designed, the shallow end of the 50-meter pool is 4'6" in depth. As currently laid out, he did not believe that it was a special use pool because it does have a small narrow end included.

Vice-chair Chang stated that she was trying to figure out the least expensive way to proceed. If the City approves the L-shaped design, would the City need two additional lap lanes?

Ms. Livingston indicated that the addition of two lap lanes would enhance the City's revenues as more instructional programs could be conducted. It was her belief that the City would have the demand for instructional programs. Also, the City could conduct exercise classes, noting that more individuals can be served in an exercise class with the additional 2-lanes. She indicated that Jim Dumas has been

advised by the County Health Official that even though the pool is all deep that they he would not classify the 50-meter pool as a special use pool.

Chairman Kennedy opened the floor to public comment.

Mark Grzan said that at a recent Agency meeting, the Agency indicated that the reason that it is building an aquatics center is for competition. He disagreed with this statement. He stated that the purpose of the aquatics center is to serve the 35,000 residents of the community. He felt that the primary goal should be to teach children how to swim and instill the benefits of lifelong aquatic activities, including water safety. The other purpose is to provide healthy, invigorating and fun activities for young and older adults such as lap swimming, exercise and other programs that promote all the social aspects that surround this and other similarly related water recreational activities. He expressed concern that the resources have been wrangled away from the competitive wants at the expense of the community's recreational needs. He said that what started out to be an aquatics center for Morgan Hill has grown into a regional center at a cost of \$12.5 million, growing to \$18 million. He felt that this far and exceeded anything he envisioned in 1995. He felt that the community, as a whole, has greater needs and rights to programs and funding, noting that a few individuals can play competitive water polo. The size of the center and the features to be incorporated exceeds the community needs. He felt that the City would have difficulty in financially supporting the aquatics center, resulting in a deficit of \$300,000. He noted that this does not include capital maintenance costs or ancillary support services for police, fire, public works, and city hall. He said that the study states that the City must advertise aggressively and market the regional aspect of the center, attracting individuals from Prunedale, Watsonville, Hollister, and San Jose. He felt that Gilroy would appreciate the aquatics center as the City is building a swim center for them and that they did not contribute to the project. If the City has to market to other cities, he questioned why the City is building at all. He felt that the City should have approached surrounding cities and built a regional center with others sharing the cost. He noted that the City recently approved million dollars for this project. He was afraid that the City would be taking money away from other needed projects. He stated that he was interested in projects that serve this community and this community alone. He felt that the City has some tough decisions to make financially. He said that reality would have the City build the facility at a scale for this community alone to meet its recreational needs first and foremost; planning for future growth as needed.

Senior Project Manager Dumas clarified that when he spoke to the Health Department, it was stated that a special use is defined on how the City uses the pool. The County Health official stated that the use would depend on how the City ends up using the pool and that the use of the pool would dictate whether it is considered a special use or not. He felt that the real issue is the revenue generation of the pool and not whether it is called a special use or not.

No further comments were offered.

Chairman Kennedy felt the City needs to move forward with the project and that it was important that the project stays on schedule. This will allow the City to maximize revenue generating potentials in the summer months of 2004. This will help ensure that the City starts off with good revenue generating

potentials. With respect to the comment relating to local use versus regional use, he felt that this clearly provides a wonderful opportunity for local swimmers. He indicated that many swimmers have to drive to other cities to find adequate facilities. In order to make sure that it is a revenue generating facility, the City has to open up the facility for regional use to help offset the operating cost as was done with the Community and Cultural Center. The fact that the Gavilan College satellite campus is a part of the community center has helped with the revenue generating capabilities. Making this facility one that attracts from the region will provide a revenue generating potential. He recommended that the Agency proceed with the action items as listed on the agenda.

Agency Member Tate stated that he wants this facility as much as anyone else. However, he felt that the City was at high risk at not completing this project by Memorial Day 2004, resulting in losing \$¼ million sooner, at a time when the City is facing a budget problem. He recommended that the project be postponed for at least one year. He likes the plan and supported looking at how the facility could best serve the community. Having a shallow end would allow the pool to be used for more purposes, including classes. He did not agree with the fast tract that has been identified for this project based on the current budget situation and given the risk that the City places itself in. He stated that he is not supportive of making this the top priority project. He recommended that the Agency proceed in a more cautious and conservative approach.

Vice-chair Chang inquired whether there was an alternative such as partnering with another entity for the operation of the project?

Executive Director Tewes said that last year, staff asked potential operators of the facility to advise of their interests in operating the aquatics center and under what circumstances they might be interested (e.g., lease, management contract, partnership, etc.). Staff received responses from three potential operators of the facility. Now, the City is on a fast track for construction. The Agency will be making decisions about the operating plan a little later than original thought. The Agency was presented with a "worse case" scenario this evening. He said that staff would be evaluating the scenarios with the Council subcommittee, noting that the subcommittee would be returning with recommendations at a subsequent meeting. What is missing is having the opportunity of holding conversations with the operators on how it can design the facility differently, noting that the design is fixed.

Agency Member Carr said that although serving the local community would be a priority, the Agency always contemplated a regional draw for the aquatics center. He said that staff and the Council subcommittee will evaluate other options. The Agency has stated all along that the projects in the Redevelopment Agency need to try and pay for themselves as much as possible. It was his belief that in this project, the Agency always anticipated a subsidy from the onset and that the 50- meter pool was always a part of the discussion. The recreation components are all the pieces that will help the City get closer to breaking even and cost recovery. Although he understood Agency Member Tate's point about the trade offs of what the cost will be for the City, he stated that he was willing to delay some projects based on other decisions that will be made on the budget. He noted that the Agency has not made decisions on the budget and that he was not sure whether the Agency has to make a decision this evening. He recommended that the Agency stay on the schedule that was established for the aquatics

center because the Agency has other options down the road that it could hold the project back, should the Agency decide that a \$200,000 hit to the general fund in 2004 is one that it is not willing to take. Another alternative would be cutting back on the pool hours, limiting the hours of operation to the general fund as well. He stated that he was comfortable in moving forward this evening. He felt that it was important for the Agency to provide direction on the depth of the 50-meter pool. Based on what was stated by Mr. Dumas, it appears that there is not a negative side to making the depth at 7-feet and that it would not be designated as a special use pool.

Executive Director Tewes stated that the aquatics subcommittee has recommended this as a bid alternative and that the subcommittee asked Mr. Dumas to check with the architect to determine implications to the schedule.

Chairman Kennedy said that he requested that the Agency look at a bid alternate with a movable floor, noting that this alternative would delay the schedule. He inquired whether a bid alternate with a 7-foot depth would delay the project.

Mr. Dumas did not believe that having the 50-meter pool to a 7-foot depth would impact the schedule or budget as much as the other two bid alternatives of a moveable bottom or increasing the length of the 50 meter pool with a moveable bulk head. He indicated that the additional water slide and two lap lanes are included in the pool package.

Chairman Kennedy said that he spoke with the Executive Director regarding some of the options for operation. It was his understanding that staff received three responses to request for information. It was his understanding that the Morgan Hill Aquatics Foundation believes that they can operate the facility at no cost to the City. There is another vendor who has indicated that if the facility was designed more as a recreational facility with larger water slides like the Raging Water facility, they would guarantee that they would make money. He did not believe that this is what the community wants, noting that this type of facility was opposed by some of the residents when a water slide was proposed close to Dunne Avenue, between Condit Road and Murphy Avenue. It was his belief that there are potential operators who can operate this facility. The facility can easily be made into a money making proposition where it is a small Raging Water recreational facility. Another option is to have the Morgan Hill Aquatics Foundation initially operate the facility. He inquired whether the City could work with the potential operators while the City is working on the design?

Mr. Dumas informed the Agency Board that staff has begun the process of looking at pool subcontractors. He said that the pool package will be received next week from the architects. Staff will use this pool package to interview pool subcontractors, noting that the actual bid occurs in early March. Staff will start pre interviewing and pre qualifying the pool subcontractors.

Vice-chair Chang said that she would recommend use of the park maintenance funds for the aquatics center, providing that the Governor does not take away the vehicle license fees. She stated that she was having a difficult time investing \$13 million to an operation that can only be used for six months out of the year. She recommended that the City not bid the swimming pool for a month.

Chairman Kennedy stated that delaying the bid timeline would result in the City missing the money-making-season of the year.

Agency Member Tate felt that the City would be losing \$254,000 the first year if the facility is operated for only for a few months.

Agency Member Sellers felt that it made sense to have the 50-meter pool at a 7-foot depth all the way across. He said that the aquatics facility would be a benefit to the community with options that can be enjoyed. He previously stated that if the project could be kept on track, opening the facility in early summer 2004, he would continue to support the center. He noted that the City still needs to discuss the budget and that if the funds cannot be found for the project, the City needs to pull the project. If the City cannot open the facility until mid to late summer, he felt that it should be opened the following summer, delaying the project for another year. He stated that this is a community facility and a community pool and that it will serve the needs of the community first and foremost. He did not believe that the City was doing anything wrong by subsidizing this community facility. Earlier, the Agency viewed the chart that showed how much the City spends toward recreation versus other communities. He said that this community has more young children per household than any city in the county and yet the City spends virtually nothing compared to other cities. He said that one of the reasons he ran for office was to enhance recreational activities. Therefore, he did not believe that the aquatics center was losing money. Long term, he felt that the City needs to balance the budget and keep within the budget. Since the on set, it was his belief that recreational activities were an appropriate expenditure of general fund revenues just as police, fire and other services. He was pessimistic about the City being able to recover a tremendous amount in the first couple of years, but that he was willing to work hard to minimize the amount that will be spent next summer and complete the project. If anything is done in the interim that would throw the project off schedule, he felt that the Agency needs to reconsider the project.

Agency Member Tate said that he heard Ms. Livingston state that the City could make more money by having the pool come down to a 4.5 foot depth at one end. Also, Ms. Livingston indicated that having the 7 foot depth all the way around would not bring in more tournaments and/or competitive swimming to the community. If left at a 7-foot depth, he did not believe that the City would be increasing demand, serving the community or the regional draw. He felt that it would be better to have a shallow end even if he does not like it from a competitive stand point.

Chairman Kennedy stated that it has been his understanding, from aquatics advocates, that the 7-foot depth would allow the pool to be used by competitive swimmers in order to host national swim events. Also, at this depth, regional water polo tournaments can take place which would be another revenue generating capability.

Agency Member Sellers concurred that the City would not necessarily generate additional revenue directly through the aquatics center. However, he felt that there would be indirect revenue in hosting larger events and would allow additional uses of the center. He said that the City is looking at the indoor recreational center in having the additional capacity to allow the kinds of programs and classes



that would be better held in the indoor recreation center. He said that in the long term flexibility should be incorporated in the design.

Agency Member Carr said that he could see both sides on this issue. He understands that the 4'6" depth would allow classes to take place. However, he did not believe that it makes sense to disqualify the pool from a certain level of competition by having a shallow depth and felt that it would negate both ends of the spectrum. By considering the depth at 7 feet, there would be a certain classification of tournaments and swimming that the pool would become eligible for. Therefore, the opportunity to host more events would be greater for the City. He did not believe that having a 7 foot deep pool would limit the City's ability of holding classes.

Chairman Kennedy indicated that the aquatics committee spoke with the Morgan Hill Aquatics Foundation who had a series of recommendation. He stated that very little of the Foundation's recommendations were incorporated in Ms. Livingston's number. He said that their numbers are much more positive relating to direct and secondary benefits associated with a deep pool. He felt that the numbers before the Agency are conservative and that the numbers provided by the Foundation are overly optimistic. However, these numbers would give the Agency a range of numbers to study.

**Action:**        *On a motion by Agency Member Carr and seconded by Agency Member Sellers, the Agency Board unanimously (5-0) **Received** the Preliminary Financial Analysis Report as Prepared by The Sports Management Group and Reviewed by the Council Sub-Committee.*

**Action:**        *On a motion by Agency Member Carr and seconded by Agency Member Sellers, the Agency Board unanimously (5-0) **Approved** Adding a Bid Alternate of Building the 50 Meter Pool at a Minimum Depth of 2 Meters (7 feet).*

**Action:**        *On a motion by Agency Member Carr and seconded by Agency Member Sellers, the Agency Board, on a 4-1 vote with Agency Member Tate voting no, **Reaffirmed** that the aquatics complex is to continue to proceed on the schedule that has been previously presented.*

Agency Member Carr stated that he supported reaffirmation of the schedule. He said that as the City looks more at budget issues, the Agency may want to change its decision. He stated that he wanted to reserve his right to change his decision.

Agency Member Chang said that her vote was based on the budget projection was presented as of today (e.g., 3% sales tax growth and the Governor does not take away the vehicle license fee. She said that she would support using the parks maintenance fund to assist the project.

## ***City Council Action***

### **OTHER BUSINESS:**

#### **16. ADOPT RESOLUTION OF NECESSITY FOR PROPERTY ACQUISITION FOR PROPOSED BUTTERFIELD EXTENSION, PHASE IV – Resolution No. 5637**

Director of Public Works Ashcraft presented the staff report.

Mayor Kennedy opened the floor to public comment. No comments were offered.

**Action:**        *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Adopted** Resolution of Necessity No. 5637, for Portion of Property Identified as APN 817-059-006 for the Proposed Butterfield Boulevard–Phase IV Improvements Project.*

**Action:**        *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Approved** the Expenditure of \$8,350.00, Plus Escrow and Closing Costs, for the Acquisition of a Portion of Property Identified as APN 817-059-006 for the Proposed Butterfield Boulevard–Phase IV Improvements Project.*

#### **17. SUBSEQUENT DEVELOPMENT REIMBURSEMENT AGREEMENT WITH MR. ANTHONY O. ALOSI FOR TRACT 8736**

Mayor Pro Tempore Chang recused herself and stepped out of the Council Chambers due to a potential conflict of interest.

Director of Public Works Ashcraft presented the staff report.

Mayor Kennedy opened the floor to public comment. No comments were offered.

**Action:**        *On a motion by Council Member Tate and seconded by Council Member Carr, the City Council unanimously (5-0) **Approved** Subsequent Development Reimbursement Agreement.*

**Action:**        *On a motion by Council Member Tate and seconded by Council Member Carr, the City Council unanimously (5-0) **Authorized** the City Manager to Execute the Agreement on Behalf of the City, Subject to Review by City Attorney.*

Mayor Pro Tempore Chang resumed her seat on the dais.

## **18. PROPOSAL FOR THE RENOVATION OF THE ISAACSON GRANARY**

Director of Business Assistance and Housing Toy presented the staff report. He informed the Council that the Economic Development Committee (EDC) has met several times and has considered subsequent proposals for the Isaacson Granary site. Under the current proposal, Weston-Miles is requesting a loan of \$350,000 at 3% interest to be paid back in four years. He informed the Council that the EDC and staff is not prepared to make a recommendation at this time for several reasons: 1) The EDC would like to see a proposal that develops the entire site and not just the renovation of the Granary; 2) The EDC would like to have an open, competitive process for development in the downtown. 3) The EDC would like to avoid the first come, first serve approach for evaluating proposals for the downtown. 4) There are no current Council approved parameters by which to evaluate the Agency's risk and the level of investment for a project such as the one before the Council. 5) There is no criteria for which to evaluate the priority of this project in the downtown area. He indicated that Weston-Miles would need to resubmit their proposal as part of the RFP processing being discussed. Should the Council determine that this project is of the highest priority for the downtown area, it can direct staff to negotiate the business terms and parameters with Weston-Miles, or could direct the EDC to reconsider its position based on Council direction. Should the Council deem this proposal to be a high priority, he said that it would be of assistance to staff to gain some guidance regarding such parameters relating to the maximum level of assistance and terms of conditions, etc.

Mayor Kennedy opened the floor to public comment.

Leslie Miles stated that Weston-Miles started their small architectural firm in the downtown area in 1986. At that time, approximately 50% of the downtown was vacant and that they wanted to get involved and make the downtown a wonderful and exciting place to be and do business. Over the period of several years, she worked with the DRP to develop the downtown. In time, Weston-Miles outgrew its location. A piece of property was purchased and that it was designed to include their office, a bagel shop and hair salon. She indicated that they did not take advantage of Redevelopment funds, using their personal funds, other than receiving \$25,000 grant for undergrounding utilities. She said that the business is ready to expand once again as the facility is too small. She is looking at the Isaacson site as an opportunity to continue the mission of helping to develop the downtown into a dynamic and exciting place to be. She indicated that Mr. Isaacson is unable to subordinate the project. She felt that this is where a Redevelopment Agency can assist. She said that the granary building is a unique old building and has issues that banks look at as being a detriment. However, the task force indicates that they would like to see the granary preserved in its entirety and developed as a portion of the City's agrarian heritage in the downtown.

Ms. Miles indicated that it is proposed to have a temporary dayworker center in the main street side, indicating that this is an important element of the project. Ideally, it is hoped that the dayworker center can be developed into a more permanent solution at a better facility. She said that she is looking at this portion of the property being developed as 24 residential mixed use development. She indicated that she is currently working with a non profit developer from San Jose who would help incorporate a project with housing and a community center that could help the transition. She felt that a competitive process

is a good one. However, there is a problem caused by the existing flood zone that has impacted the entire downtown. She felt that it would be difficult to look at viable pieces of property that could actually participate in a competition. The City's current program for housing assistance is an excellent model for conducting business assistance as it is based on a first come first serve process and involves smaller amounts of money. She looked at different programs established in different communities for this type of loan program. She indicated that the City has been discussing how to implement the loan program for the past 15 years. She felt that this should be a program that rises out of a competition but should become a program that is a part of the general process of doing business in the City. What is being requested is a four year loan, with the hope of being repaid in two years. She noted that there are no Council approved parameters at this time. She said that the redevelopment agency was designed to assist in the elimination of blight, work in the downtown core of the redevelopment area, and to create a dynamic involvement that was created with the community center and the playhouse. She recommended that this dynamic energy be brought to the other side of Depot so that the whole area can create a synthesis where development can occur. She felt that the granary project would provide an impetus to the adjacent property similar to the development of the Skeels' project. She stated that it is intended that the project would meet the green building design standards.

Julian Mancias, Chairman of the Dayworker Committee, stated that it is the Committee's goal to establish a dayworker center as described in the Weston-Miles proposal. He stated his support of the funding being sought by Weston-Miles. He indicated that he is trying to negotiate with Mr. Isaacson and Weston-Miles for the use of the facility for a dayworker center, indicating that a lot of progress has been made and that he is close to reaching an agreement on the use. The Committee would like to use this site because it is feared that if the use is relocated to another site, it would result in non participation. The Committee fears that should Weston-Miles be unable to acquire the property, someone else may come in and purchase the property who may not be as generous with the dayworker center. It is felt that the community was supportive of this issue. He requested Council approval of the funding request by Weston-Miles Architects.

Charles Weston stated that the project has received Site and Architectural Review Board approval and that he has submitted a set of construction drawings to the building division, receiving comments back. He said that he design incorporates a dayworker center. He indicated that he has incorporated the green building design and that he hopes to have the first building in Morgan Hill to be green. He felt that it would take four years for a project to go through the implementation of an economic development strategy/development process and that he would have repaid the loan during this time period. He did not believe that approval of the loan would take away from the economic development program.

Council Member Tate said that the EDC spent a considerable amount of time looking at the best way to go about economic development in the downtown. He said that it would take approximately \$19.8 million to accommodate everything the Agency would like to do. He indicated that the EDC did not dislike the proposal but that the EDC did not know if this project would be the best possible project to help kick start the downtown. He noted that the Downtown Plan depicts Third and Monterey as the center of the downtown. A proposal has been submitted for an office building at the edge of the downtown and would clean up a blighted area. However, he felt that the loan proposal would place the

City at risk and would not provide curb and gutters that would spruce up Depot Street. The EDC discussed alternatives that would work better such as a competition suggested by the City Manager. He said that the EDC did not believe that it would take four years to implement the strategy. The EDC is looking at a quick turn around conceptual strategy, reducing the strategy to a few ideas to be evaluated by the Agency to get something going. He felt that the Agency needs to know the best way, from an economic development stand point, to invest economic dollars for the downtown. The EDC is looking at using some of the housing funds for a mixed use project. He noted that the Weston-Mile proposal has a future component of housing but not a current component. He said that the Weston-Miles proposal has been revised so that it is no longer a long term loan and that it is to be a completely repaid loan. He said that there are economic development parameters for assistance but not for the downtown. The existing parameters being used for economic development address how much recovery would be achieved in four years. It is not known how much recovery would occur in the downtown. By going out and going through the proposal process, it is felt that a lot more education would be attained on how the Agency would achieve its strategy. He said that the EDC was faced with a good proposal but not necessarily the best proposal for kick starting for the downtown plan as presented.

Council Member Carr said that the project is a good one as it would take care of a blighted area. However, the City does not have a criterion in place for which to evaluate the program based on limited funds and resources to help kick start economic development in the downtown. Therefore, it is being suggested that a competition be implemented. He stated that the EDC did not envision the strategy to take four years to implement. He said that the EDC is trying to define the strategy further in order to present it to the Agency sooner in order to get the process moving.

Mayor Kennedy stated that he was somewhat reluctant in supporting placing the request on the agenda as he knew the EDC was working on a strategy. However, in speaking with Mr. Weston about the project, he felt that it was important for the Agency to discuss the project because the reality of funding and timing was important. He said that there is a window of opportunity and that if you miss that window, you may lose the opportunity. He stated his support of the project because it is truly what Redevelopment Agencies are created for. He felt that a blighted area would be corrected and that Weston-Miles has a proven track, completing some of the most successful projects in the community. He felt that this proposal can keep the downtown progress moving and would be a low risk investment. What is being sought is a loan with a fairly quick return, allowing the funding to be recycled. He noted that a green building is being proposed and would afford assistance to the dayworker issue. He felt that there were a lot of positives associated with this project. He stated that he did not want to short circuit the work that the EDC is doing but felt that this proposal is an exception as they are ready to proceed. If the City does not allow them to move forward, the City would lose a good opportunity. He indicated that the Agency could ask staff to work with the EDC on a mechanism of support that would make sense, should the Agency support the project.

Council Member Sellers agreed that opportunities are far too rare. He expressed concern that if the City delays taking action on this project, it will not proceed and the City would miss an opportunity for redevelopment of the area. He said that the City has not determined the housing density and whether or not to lift Measure P requirements in the downtown. He felt that once the City does so, it would provide

the impetus of adding a housing component to the project. He noted that this would be a short term loan with funding being made available in 2-4 years that can be used for other projects. He recommended that this project be reviewed and approved by the Downtown Association. He said that he was struck with the parallels of this project to that of the Skeels hotel. He felt that the Skeels project, like this project, has significant community social benefits as well as the addition of economic development revenue. Also, a long term business development is proposed that would clean up a significant blighted area that would have otherwise remained in a deleterious condition for some time. This project would assist the dayworker project and would clean up the sight. He did not believe that this opportunity would be here six months to year if not approved at this time. He recommended that the Agency give the project consideration, with review and approval by the Downtown Association. He further recommended that the City try to expedite the turn around of the loan by providing incentives for it to be repaid sooner (minimal interest applied if paid sooner than four years).

**Action:** *Council Member Sellers made a motion, seconded by Mayor Kennedy, to: **Authorize** that the proposal be referred to the Downtown Association for review; and 2) **Directed** staff to return with a proposal for a tentative agreement with the project proponent that would provide incentives for a shorter term turn around for the repayment of the loan.*

Mayor Pro Tempore Chang said that she her reason to support the request differed from other Council Members. She stated her support of the dayworker project and would therefore support the motion.

Council Member Carr expressed concern about asking a group that is not an agency or part of the City to perform an analysis based on a criterion that has not been discussed/approved and that the City has no control over. He stated that he would have more comfort if the Council had already approved the downtown update plan and the City had a criteria that the Council was asking the Downtown Association to weigh the project against. Another important component of the proposal is the future development of the entire site. He said that the entire site is important to him, incorporating a housing component with the proposal and not become an after thought. He also has a concern about the dayworkers and the dayworkers center. He was not sure if this was enough of a motivating factor to move this proposal forward. He wanted to consider the request and whether this is the project that would kick start the downtown. He felt that the City was looking at a temporary band aide approach for the dayworker problem. He expressed with the risk. He did not know what the collateral would be against the loan. He said that it may appear to be a low risk because it would be a short term loan. He said that the City would be taking the risk, noting that the City has a limited amount of resources to apply toward economic development at this time.

Council Member Sellers stated that the Downtown Association is a group that is trying to improve the economic conditions of the downtown and might have some thoughts on the project.

City Manager Tewes felt that the threshold question was whether this project was sufficiently attractive to warrant public financial support. Based on comments, it appears that three Council members suggest that this is the case. He said that it is his understanding of the motion that it suggests that staff be directed to work with the applicant toward a program. He said that the second threshold question is how

much should the City participate. He said that it would be helpful if the motion indicated that the Council was willing to invest as much as \$350,000 based on the proposal presented this evening. He felt that the third aspect is the terms of the deal and what is the risk the City is assuming. He stated that it is often the case, in economic development, that private parties will negotiate for months between themselves with lots of back and forth discussions. The parties will submit a proposal to a public agency, stating that it has to be approved as submitted. He said that it would be preferable for staff to be involved as a problem solving partner and that staff should be working with the landowners as well to find a deal that would accomplish the public policy objectives as well as their objectives. He did not believe that the City should be placed in a position of accepting the proposal that has been made to the City. He felt that the City should have more flexibility to provide the kind of security that the public needs should the Council determine that the City would invest in the project in some fashion. It is his hope that the motion would encompass that staff would work with the applicants and the property owners to try to find the nature of the problem, using the City's \$350,000 to the greatest advantage.

**Action:** *Council Member Sellers/Mayor Kennedy **amended** their motion to stipulate that the loan is not to exceed \$350,000 and **directed** staff to do everything that it can to make the loan as secure and/or reduce the amount that is to be invested as possible.*

Council Member Tate noted that Weston-Miles are requesting a loan of \$350,000. He inquired about the infrastructure, undergrounding utilities, and curb and gutters, noting that they are looking at the City to install these infrastructures. He noted that the motion did not include the installation of the infrastructures.

Council Member Sellers indicated that the installation of the infrastructure is part of the negotiations. He stated that approval of a loan would need to come back to the Council for approval.

**Vote:** *The motion carried 3-2 with Council Members Chang, Sellers and Mayor Kennedy supporting the motion; Council Members Carr and Tate voting against the motion.*

**19. ORDINANCE AMENDING SECTION 17.32.160 OF, AND ADDING SECTION 17.32.165 TO, THE MUNICIPAL CODE REGARDING REIMBURSEMENT AGREEMENTS FOR INSTALLATION OF PUBLIC IMPROVEMENTS – Ordinance No. 1604, New Series**

**Action:** *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Waived** the First and Second Reading of Ordinance No. 1604, New Series.*

**Action:** *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council **Introduced** Ordinance No. 1604, New Series by Title Only, as follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING SECTION 17.32.160 (Improvement agreement – Preparation – Contents) AND ADDING SECTION 17.32.165 (Improvement agreement-Reimbursement Provisions) OF CHAPTER 17.32 (Improvements and*

**Improvement Agreements) OF TITLE 17 (Subdivisions) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING REIMBURSEMENT AGREEMENTS WITH DEVELOPERS FOR PUBLIC IMPROVEMENTS** *by the following roll call vote: AYES: Carr, Chang, Kennedy, Sellers, Tate; NOES: None; ABSTAIN: None; ABSENT: None.*

**20. URBAN LIMIT LINE (GREENBELT) STUDY: APPOINTMENT OF ADVISORY COMMITTEE INCLUDING SELECTION OF CITY COUNCIL MEMBERS AND DESIGNATION OF THE CHAIRPERSON**

Community Development Director Bischoff presented the staff report. He indicated that procedural guidelines for new committees were distributed to the Council this evening. He indicated that staff will prepare summary minutes for the meetings of this group and that they would be routinely forwarded to the Council. In addition, staff is proposing at least three status reports be made to the full Council on the progress of the project. He said that it is anticipated that the project would be completed in 12 months.

Council Member Sellers indicated that the City has not had luck with alternatives because they have to attend the meeting and get frustrated because they are unable to provide input or that they do not attend and do not afford continuity. He inquired as to the thinking of appointing an alternate in this case?

Mr. Bischoff said that in committees of this size, it is a rare occasion that everyone is in attendance at a meeting. If the City has an alternate, one that is interested in attending on a regular basis, more often than not they will be able to participate. In looking at the number of applications submitted, they fell into the Council identified make up with the exception of one land owner who did not fit into one of the categories.

Mayor Kennedy stated that he would like to chair this committee as it is one that he has wanted to serve on for many years. He said that Mayor Pro Tempore Chang also requests to serve on the Committee, indicating that it has been his practice to try and give the Mayor Pro Tempore the first opportunity in serving on a committee where there is an opportunity. He recommended that he and Mayor Pro Tempore be allowed to serve as the Council's representatives to this committee.

**Action:** *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Approved** the appointment of to the Urban Limit Line Advisory Committee Membership as Recommended by Mayor Kennedy and Council Member Carr.*

**Action:** *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Approved** the Appointment of Planning Commissioners Bob Engles and Joe Mueller to the Urban Limit Line Advisory Committee.*

**Action:** *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Appointed** Mayor Kennedy and Mayor Pro Tempore Chang*



*to Serve on the Committee and **Designated** Mayor Kennedy to serve as the Committee's Chairperson.*

Council Members Sellers and Tate stated that they found the guidelines for the creation of Commission to be helpful.

**21. REQUEST FOR COUNCIL SPONSORSHIP OF SILICON VALLEY ONE BOOK, ONE COMMUNITY READS**

Mayor Kennedy requested that the City co sponsor the event at the Community & Cultural Center. He noted that the staff report indicates that the use of the Community & Cultural Center would result in the loss of revenue of approximately \$500.

City Manager Tewes said that staff is suggesting that if the Community & Cultural Center is used for the specified hours for this activity, the City would have lost the opportunity to rent it to a private party. He stated that the fiscal impact of the co sponsorship is the equivalent of waiving the fees that would be due from a non profit organization in the amount of approximately \$200 for the use of the facility. Therefore, the fiscal impact, should the Council co sponsor the event, would be approximately 200+ in fees.

Council Member Sellers felt that the City needs to be careful with these types of events as the City proceeds and that it was important that requests be reviewed on an individual basis.

Council Member Carr agreed that this is a great project. He was pleased that Mayor Kennedy is on the Board of this project, indicating that Silicon Manufacturing Group has also been involved in this project. However, he felt that the City needs to be careful about setting precedents for groups that come before the Council to request co sponsorship of events because the City would quickly place itself in a hole at the Community and Cultural Center.

**Action:** *On a motion by Council Member Seller and seconded by Council Member Tate, the City Council unanimously (5-0) **Agreed** to Co-sponsor Silicon Valley One Book, One Community Reads.*

**22) CITY COUNCIL/REDEVELOPMENT AGENCY SUMMER MEETING SCHEDULE**

Council Member Sellers recommended that the August 6 meeting be canceled. Should a Council Member have a need to change the schedule, he recommended that the meeting schedule be brought back to the Council for further consideration.

**Action:** *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council unanimously (5-0) **Agreed** to Cancel its August 6, 2003 meeting.*

### **FUTURE COUNCIL-INITIATED AGENDA ITEMS**

Mayor Kennedy announced that one of the Sister Cities Committee members spoke with the Mayor of San Casciano. It was indicated that it is likely that the Mayor would be visiting Morgan Hill in late June. He stated that he would like to recognize the Mayor from San Casciano at a Council meeting when he visits the City.

### **CONVENE TO CLOSED SESSION**

Mayor/Chairman Kennedy adjourned the meeting to Closed Session at 10: 55 p.m.

### **RECONVENE**

Mayor/Chairman Kennedy reconvened the meeting at 11:24 p.m.

### **CLOSED SESSION ANNOUNCEMENT**

Mayor/Chairman Kennedy announced that no reportable action was taken in closed session.

### **ADJOURNMENT**

There being no further business, Mayor/Chairman Kennedy adjourned the meeting at 11:25 p.m.

**MINUTES RECORDED AND PREPARED BY:**

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**IRMA TORREZ, CITY CLERK/AGENCY SECRETARY**